20TH ANNUAL REPORT

O'BRIEN GOLD MINES LIMITED

NO PERSONAL LIABILITY

TWENTIETH ANNUAL REPORT

of

O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

President
J. Barry O'Brien

Vice-President
Alan Scott

Secretary-Treasurer
R. Ferrier Burns

Directors

J. Barry O'Brien	Ottawa, Ontario
J. A. O'Brien	Ottawa, Ontario
B. A. O'Brien	Ottawa, Ontario
Alan Scott	Ottawa, Ontario
St. Barbe Sladen	Ottawa, Ontario

Mine Manager
H. E. Sparks

Stock Transfer Agent and Registrar
Montreal Trust Company
Montreal, P.Q., and Toronto, Ontario

Head Office
Kewagama P.O., Quebec

DIRECTORS' REPORT

To the Shareholders of
O'Brien Gold Mines, Limited
(No Personal Liability)

Your Directors submit herewith their Twentieth Annual Report, together with the Auditors' Report to the Shareholders, Financial Statements and the Operating Report of the Mine Manager for the fiscal year ended 30th September 1954.

Net Profit of $29,803 for the year compares with $36,679 in the previous year.

Tonnage treated showed a gain of 7.3% over last year—without decrease in the grade of ore treated—and was close to the sustained maximum capacity of the milling plant.

Mine operating revenue showed an increase of approximately $51,000, and mine operating expense an increase of $11,365, for a profit on direct operations of $40,088, which compares with $440 last year. Estimated revenue under the Emergency Gold Mining Assistance Act, included in the above, is slightly lower for the period under review.

Other Expenditure exceeded Other Revenue by an amount of $10,285 due to the higher total of exploration expense charged to this year's operations. The amount written off covers mining exploration expense of $24,099 relating to 1954 prospecting, and oil and gas exploration expense of $37,025 relating to expenditures incurred through Alminex Limited and Oilwell Operators Limited prior to the end of 1953.

A dividend of $65,000, at the rate of 2 cents per share, was paid in March 1954. Surplus account at the close of the year under review is $270,342, a reduction of $34,771 during the year.

The completion of twenty years of successful operations marks a milestone in the life of your company. In this period the mine has produced gold bullion to the value of $19,159,564 from the treatment of 1,137,932 tons of ore; the average grade of all ore mined to date has been 0.477 ounces of gold per ton. Mine development and extraction have been carried to a depth of 3,450 feet below surface, and have established a total of approximately 22 miles of underground workings.

As mentioned last year, the development work then in progress on the bottom level of the mine would have an important bearing on further shaft sinking. This work has been completed, and, in conjunction with the findings in the entire block of ground below 3,000 feet, indicates that further depth development would be unwarranted. In addition, efforts have been made by diamond drilling during the year to determine the ore picture below the 3,450 foot level; the results have been discouraging both

as to No. 1 Vein ore—the most persistent ore structure—and any other ore occurrence. The small tonnage which is indicated could neither support a reasonable milling operation nor return the costs involved in carrying the mine to greater depths. In these circumstances the management has advised that operations at the main property must soon be brought to a close—possibly at the end of the current fiscal year. The mine will be on a salvage basis early in 1955 and a gradual withdrawal and clean-up will then be instituted. In all probability a greater tonnage will be mined than appears in the ore reserve estimate.

It is timely, however, to remind you that energetic steps have been taken and will continue to be taken to acquire and develop other mining properties. Your Bachelor Lake property shows an estimated 235,000 tons of ore, grading 0.34 ounces of gold per ton. A highway into the area is promised by mid-summer of 1955, following which further development will be undertaken. Prospecting activity has been stepped up and will continue at, or above, the 1954 scale of four field parties. Since the close of the year under review two promising blocks of ground have been secured for detailed investigation, and additional properties are being examined.

Your participation has been continued in the activities of Alminex Limited and Oilwell Operators Limited in Western Canada oil and gas developments. Considerable appreciation in the value of these participations is indicated, mainly in relation to the gas potential in the Bindloss and Smiley areas, and the oil potential in the Pembina, Cremona and Erskine fields. A total of approximately $150,000 has been expended on these activities to date, of which an amount of $37,025 has been written off out of profits in the year under review.

The programme of mine finding undertaken by Exploration Projects, as reported last year, has disclosed nothing of substantial interest to date, but certain areas of promise have been secured and are receiving further attention.

It is with sincere regret that we record the death of Mr. M. A. Thomson on 11th September 1954. Mr. Thomson had been a Director of your Company since 24th April 1939 and had taken an active part in the affairs of the Company since his appointment. The wide knowledge he brought to the Board, gained through his many years' association in the mining industry, will be greatly missed.

Once again your Directors wish to express their appreciation of the loyal and efficient services of the Mine Manager and members of his staff in the conduct of the year's operations.

On behalf of the Board,

J. Barry O'Brien,

President.

Ottawa, Ontario,

30th November 1954.

MINE MANAGER'S REPORT

Kewagama, Quebec.
22nd October 1954.

The President and Directors,
O'Brien Gold Mines, Limited.

Gentlemen:

The following summary covers the operations of your Company for the year ended 30th September 1954:

PRODUCTION:

A summary of production is as follows:

Tons of Ore Treated		68,976
Average Grade per Ton Ore	0.388 ounces	($13.25)

	Ounces	Value
Values in Ore Treated	26,739.767	$913,803.66

Tailings Loss:

	Ounces		
Flotation	677.633		
Roasting	63.287		
Cyaniding	246.346	987.266	33,692.98
Bullion Produced		25,752.501	$880,110.68
Recovery per Ton Treated		0.373 ozs.	$ 12.76
Percentage Recovered		96.3%	

The average daily tonnage milled was 192.3 tons.

MINING:

The source and grade of ore sent to the mill were as follows:

Source	Tons	Percent of Total Tons	Grade Ozs. per Ton
Stopes and Backstopes	67,370	97.2	.390
Development	1,941	2.8	.298
	69,311	100.0	.387

The following is a summary of development work:

	Current Year	Accumulated Totals to 30th Sept., 1954
Drifting	1,503 ft.	82,749 ft.
Crosscutting	435 ft.	18,077 ft.
Raising and Boxholing		8,053 ft.
Shaft Sinking		5,107 ft.
Station Cutting		1,569 ft.
	1,938 ft.	115,555 ft.

DIAMOND DRILLING:

	Current Year	Accumulated Totals to 30th Sept., 1954
Underground	7,842 ft.	175,210 ft.
Surface		20,295 ft.
	7,842 ft.	195,505 ft.

Development of the remaining section of the No. 1 Vein, on the 3,450 level, was completed during the year. A length of 300 feet of ore grading 0.375 ounces per ton was confirmed.

A detailed investigation of ore possibilities below the 3,450 foot level was undertaken. Seven holes totalling approximately 4,000 feet of diamond drilling were completed to intersect No. 1 Vein at 250 feet and 500 feet below the level, and to obtain a geological section north to the Cadillac Shear. The existence of No. 1 Vein and a small parallel structure to the south was established, but values are not encouraging.

Short stoping sections of the No. 1 Vein were developed on the 625, 750 and 1,375 foot levels.

ORE RESERVES as at 1st October 1954:

	Tons	Ounces per Ton
Broken Ore	28,248	0.399
Probable Ore in Place	15,760	0.358
	44,008	0.384

The net total of new ore put in sight during the year amounted to 49,831 tons containing 15,947 ounces, which includes approximately 23,000 tons derived from stopes in excess of original estimates.

OPERATING COSTS:

		Per Ton Ore Treated
Development and Diamond Drilling	$ 54,842.58	$ 0.80
Extraction	574,857.33	8.33
Total Mining	629,699.91	9.13
Milling, Roasting and Cyaniding	139,296.14	2.02
General	131,227.48	1.90
	$900,223.53	$13.05

CAPITAL EXPENDITURES:

There were no Capital Expenditures during the year.

OUTSIDE EXPLORATION:

Four prospecting parties were in the field during the past season. The two parties in Quebec were located in the Chibougamau—Bachelor Lake area. In Ontario, one party was prospecting south of Gowganda, while the other was in the area west of Kapuskasing. Nothing of commercial interest was discovered, although two groups of claims were staked on location for later investigation.

Several properties were examined during the year, but none was recommended for further investigation.

GENERAL:

A general wage increase of seven cents an hour for hourly rated employees became effective on 1st March 1954.

Although labour costs increased, the price obtained for our gold showed a further decline at $34.12 an ounce, as compared with $34.41 for the previous year.

No market was found for our Crude Arsenic, and we now have approximately one thousand tons in storage at the Mine.

I wish to express my appreciation to Mr. H. F. Berry, Mill Superintendent, Mr. J. G. Berry, Mine Superintendent, Mr. J. E. Kelly, Plant Superintendent, Mr. E. J. Turnbull, Chief Mine Accountant, and their staffs for the loyal and efficient services rendered during the year. I also wish to thank the President and Directors for their help and co-operation.

Respectfully submitted,

H. E. SPARKS,
Manager.

O'BRIEN GOLD

(NO PERSONAL

INCORPORATED UNDER THE LAW

BALANCE SHEET AS AT

ASSETS

Current Assets			
Cash		100,343	
Bullion		76,634	
Accounts receivable		4,812	
Claim under The Emergency Gold Mining Assistance Act — estimated		22,035	
Dominion of Canada bonds, par value $1,130,000 — at cost and accrued interest (quoted market value $1,153,011)		1,134,715	
Other bonds and shares — at cost and accrued interest (quoted market value $274,831)		262,750	1,601,289
Other Assets			
Inventories of general stores — at cost		152,927	
Prepaid expenses		25,281	
Participation in exploration ventures — Shares — at cost	25,000		
Cash payments, less amounts written off (in addition, the company has a commitment of $36,000 and a probable commitment estimated at $60,000)	110,623	135,623	
Sundry investments and mining claims — at nominal values		9	313,840
Fixed Assets			
Mine property — at cost		1,385,123	
Plant, buildings and equipment — at cost	1,020,520		
Accumulated depreciation	987,376	33,144	1,418,267
			$3,333,396

MINES, LIMITED
LIABILITY)
OF THE PROVINCE OF QUEBEC
30th SEPTEMBER 1954

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	38,558	
Wages payable	18,610	
Quebec mining tax	1,963	59,131
Deferred Liability re Cost of Past Service Pensions		3,923
Capital Stock and Surplus		
Capital stock —		
Authorized —		
4,000,000 shares of a par value of $1 each	$4,000,000	
Issued as fully paid and non-assessable — 3,250,000 shares	3,000,000	
Surplus	270,342	3,270,342
		$3,333,396

Approved on behalf of the Board

J. BARRY O'BRIEN } *Directors*
ALAN SCOTT }

O'BRIEN GOLD MINES, LIMITED

(NO PERSONAL LIABILITY)

STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 30th SEPTEMBER 1954

Mine Operating Revenue			
Bullion	880,111		
Less: Marketing expenses	7,194	872,917	
Estimated revenue under the Emergency Gold Mining Assistance Act (including approximately $20,000 applicable to prior year)		128,158	1,001,075
Mine Operating Expenditure			
Development, mining, milling, general and office	900,224		
Legal and directors' fees, stock transfers and registrations, administration and miscellaneous	51,403	951,627	
Depreciation of buildings and machinery		9,360	960,987
			40,088
Other Revenue			
Interest on bonds	38,897		
Dividends received	7,468		
Profit on realization of investments	6,424	52,789	
Other Expenditure			
Outside exploration — mining	24,099		
— oil and gas	37,025		
Provision for Quebec mining tax	1,950	63,074	10,285
Net Profit for the Year			$ 29,803

NOTE: In addition to the depreciation of $9,360 shown above, an amount of $4,742 is included elsewhere in the above accounts representing depreciation of equipment.

STATEMENT OF SURPLUS

Balance—30th September 1953		305,113
Net profit for the year	29,803	
Reduction in liability for cost of past service pensions — arising from terminations during the year	426	30,229
		335,342
Dividend No. 18 paid 10th March 1954		65,000
Balance—30th September 1954		$ 270,342

ASSOCIATED WITH
SCOVELL, WELLINGTON & CO.
ACCOUNTANTS AND AUDITORS
UNITED STATES OF AMERICA
AND
COOPER BROTHERS & CO.
CHARTERED ACCOUNTANTS
GREAT BRITAIN EUROPE
SOUTH AND EAST AFRICA
SOUTHERN RHODESIA
AUSTRALIA NEW ZEALAND

McDonald, Currie & Co.
Chartered Accountants
MONTREAL · QUEBEC · OTTAWA · TORONTO · SAINT JOHN
SHERBROOKE · VANCOUVER · HAMILTON
CHARLOTTETOWN · EDMONTON

TELEPHONE 5-7231
CABLE ADDRESS "CURMAC"

222 SOMERSET STREET WEST
OTTAWA 4, ONT.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of O'Brien Gold Mines, Limited (No Personal Liability) as at 30th September 1954 and the statements of profit and loss and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 30th September 1954 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

McDonald, Currie & Co.

OTTAWA, 22nd November 1954 CHARTERED ACCOUNTANTS

20TH ANNIVERSARY
O'BRIEN GOLD MINES LIMITED
1934 - 1954